

Saving Social Security

RETIREMENT BENEFITS

- Your benefits are defined, not dependent on the stock market, and guaranteed by government.
- If you live a long life, you don't outlive your benefits.
- If you face inflation, benefits are indexed, their purchasing power stays same.
- If you're a stay-at-home mom, spousal benefits recognize your contribution.

Survivor & Disability Benefits

- IF YOU DIE AND LEAVE DEPENDENTS, SOCIAL SECURITY PROVIDES SURVIVOR BENEFITS, EQUAL TO \$12 TRILLION OF TERM LIFE INSURANCE.
- IF YOU BECOME DISABLED, SOCIAL SECURITY PROVIDES BENEFITS AFTER SIX MONTHS, PLUS MEDICARE AFTER TWO YEARS.
- SURVIVOR AND DISABILITY BENEFITS MAKE UP 30% OF ALL SOCIAL SECURITY BENEFITS.

Private Accounts Plan

- (1) Exaggerates the problem and proposes a “solution” that makes problem worse
- (2) Cuts benefits of future retirees, more and more over time
- (3) Borrows nearly \$5 trillion over 20 years
- (4) Does not increase national saving or help the economy

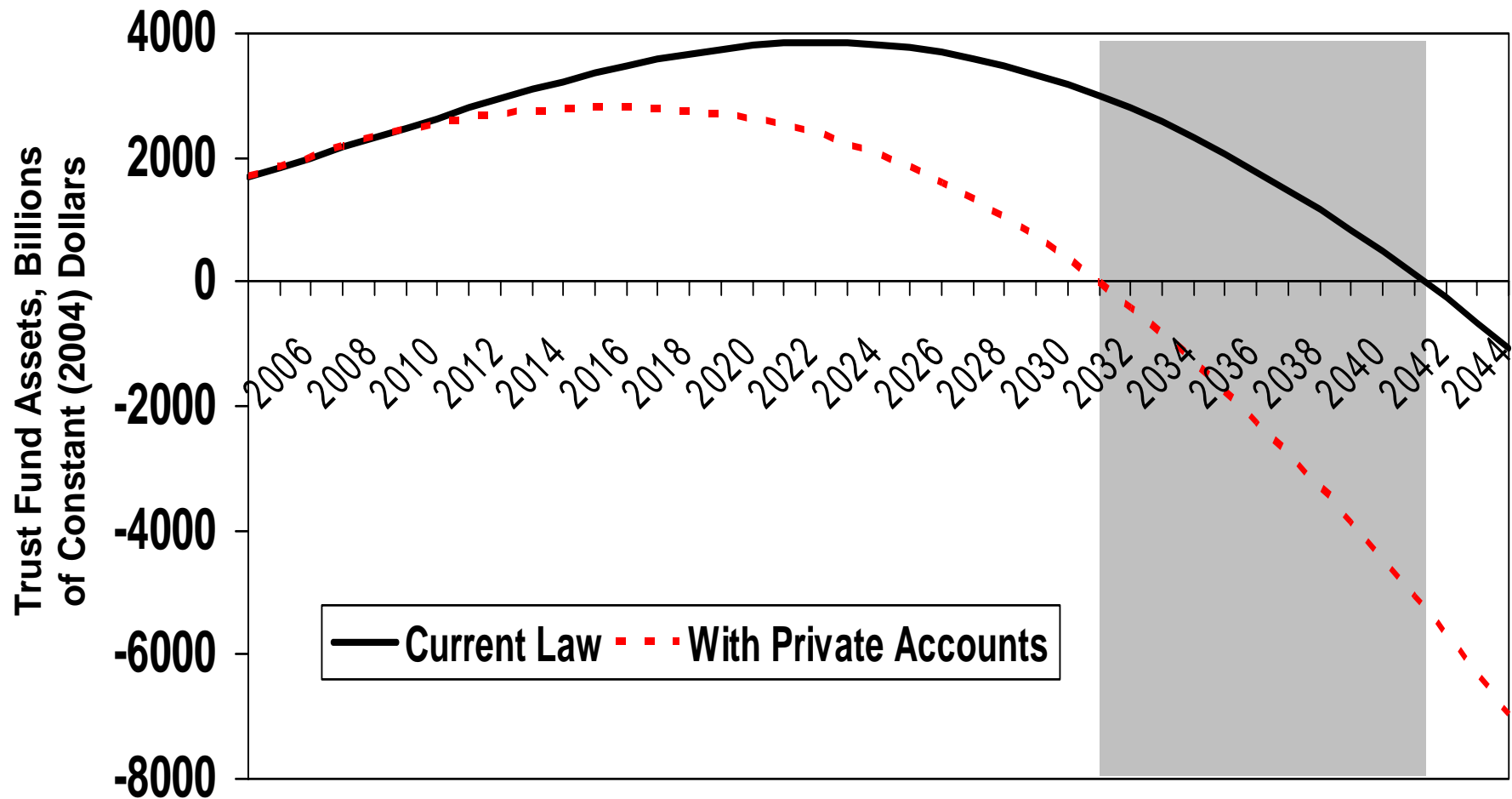
Social Security's Challenge

	Deficit as a % of GDP	Trust Fund Exhaustion Date	% of Benefits Payable After Exhaustion
Social Security Trustees	0.7%	2042	73%
Congressional Budget Office	0.4%	2052	78%

Accounts Hasten Onset of the Problem

	Current Law	Bush SOTU Proposal
Benefits Exceed Tax Revenues	2018	2012
Trust Fund Exhausted	2042	2031
Cash Deficit in 2027	\$202 bln	\$309 bln

Privatization Plan Exhausts Trust Fund 11 Years Earlier Than Current Law

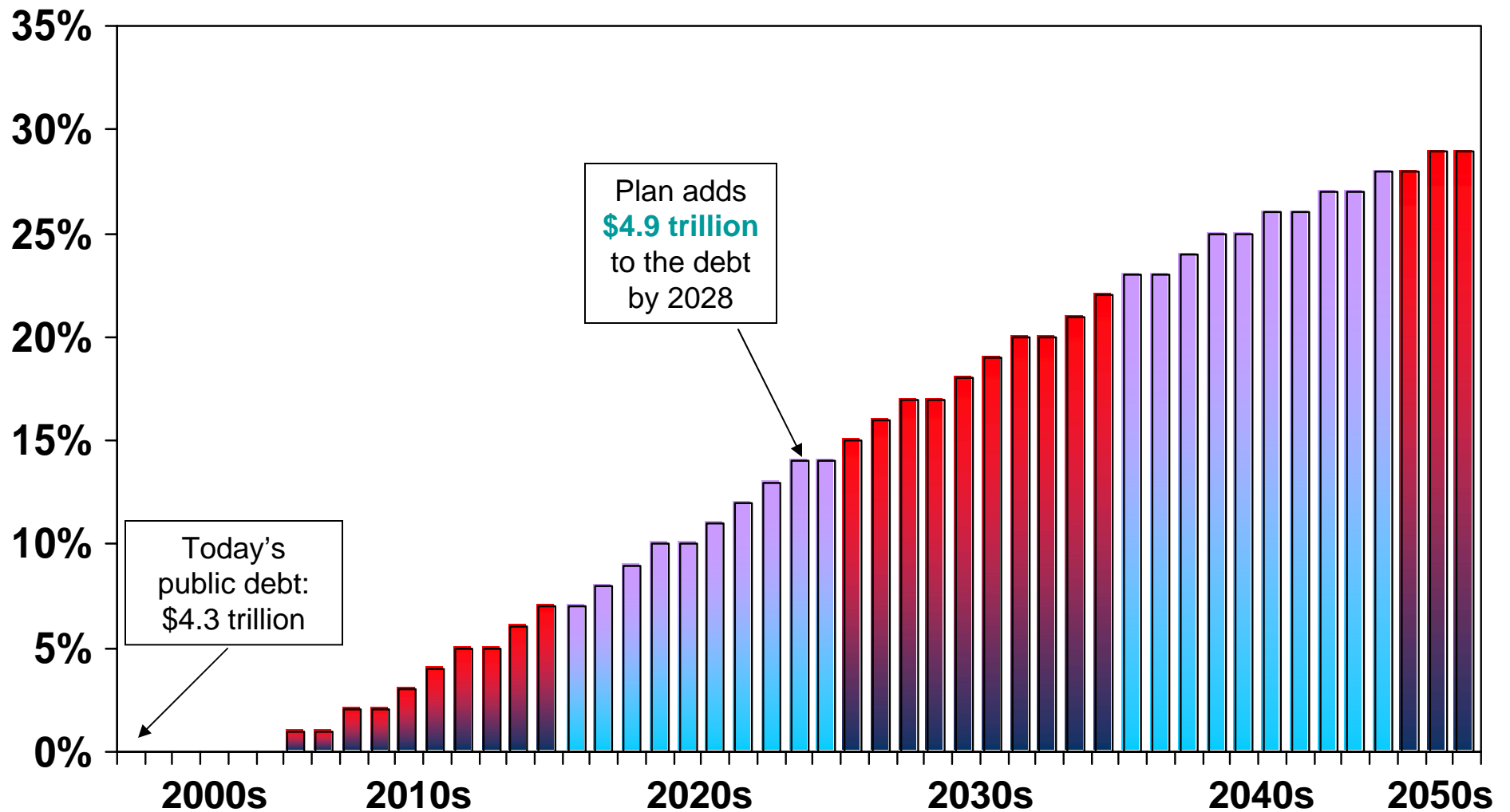


Increase in the Debt

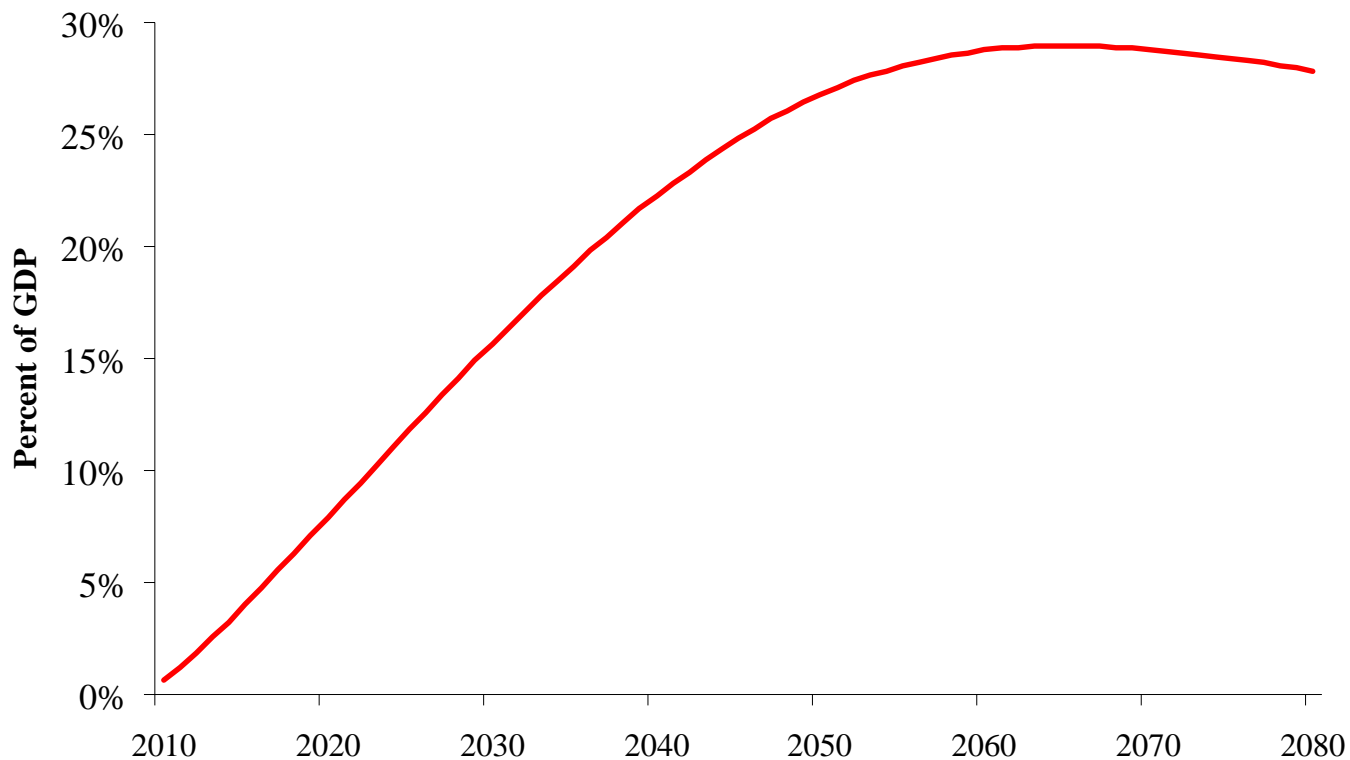
- \$1.4 trillion in the first 10 years of the plan
- \$4.9 trillion in the first 20 years of the plan

President's Social Security Privatization Plan Worsens Debt for Decades to Come

Increase in Debt as a Percentage of GDP



President's Plan Results in Large and Lasting Increase in Debt Held by the Public



Benefit Cut #1: Repaying the Loan

- If you put money into a 401(k), you keep the entire balance at retirement.
- If you divert money into private accounts, you must repay the principal, plus interest at 3% above inflation by benefit cuts.

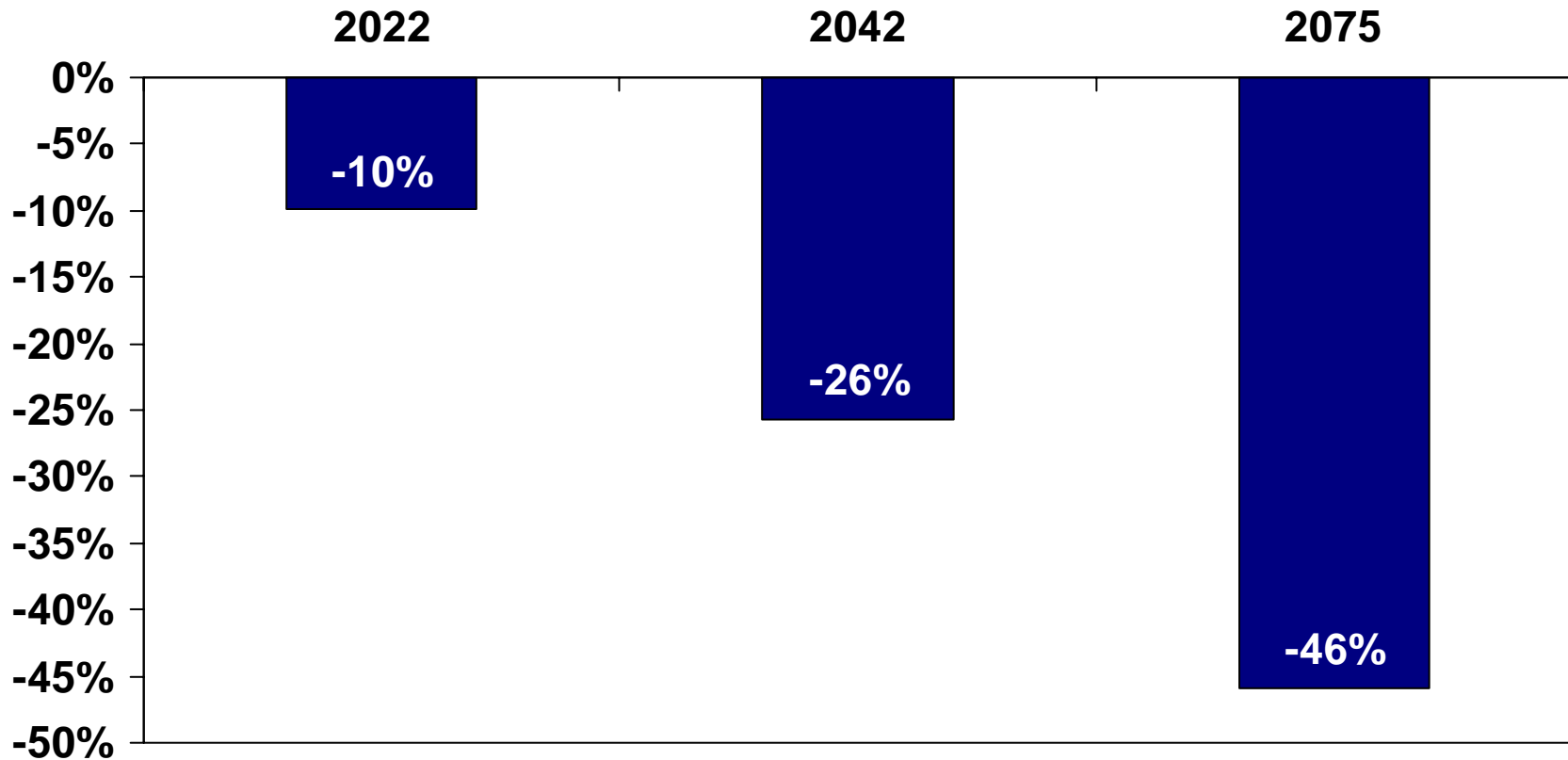
How the Loan Works

Example: If you are average worker, born in 1990, you repay \$150,000 at retirement. This takes \$10,000 annually out of your guaranteed benefits.

	Low Yield	Risk-adjusted Yield	High Yield
Value of Account	\$110,000	\$150,000	\$220,000
Total Reduction of Traditional Benefit ("Privatization Tax")	-\$150,000	-\$150,000	-\$150,000
Effective Tax Rate	140%	100%	70%

Benefit Cut #2: Price Indexing

(Benefit Reduction for Average Wage Earner Retiring in Year Shown Below)*

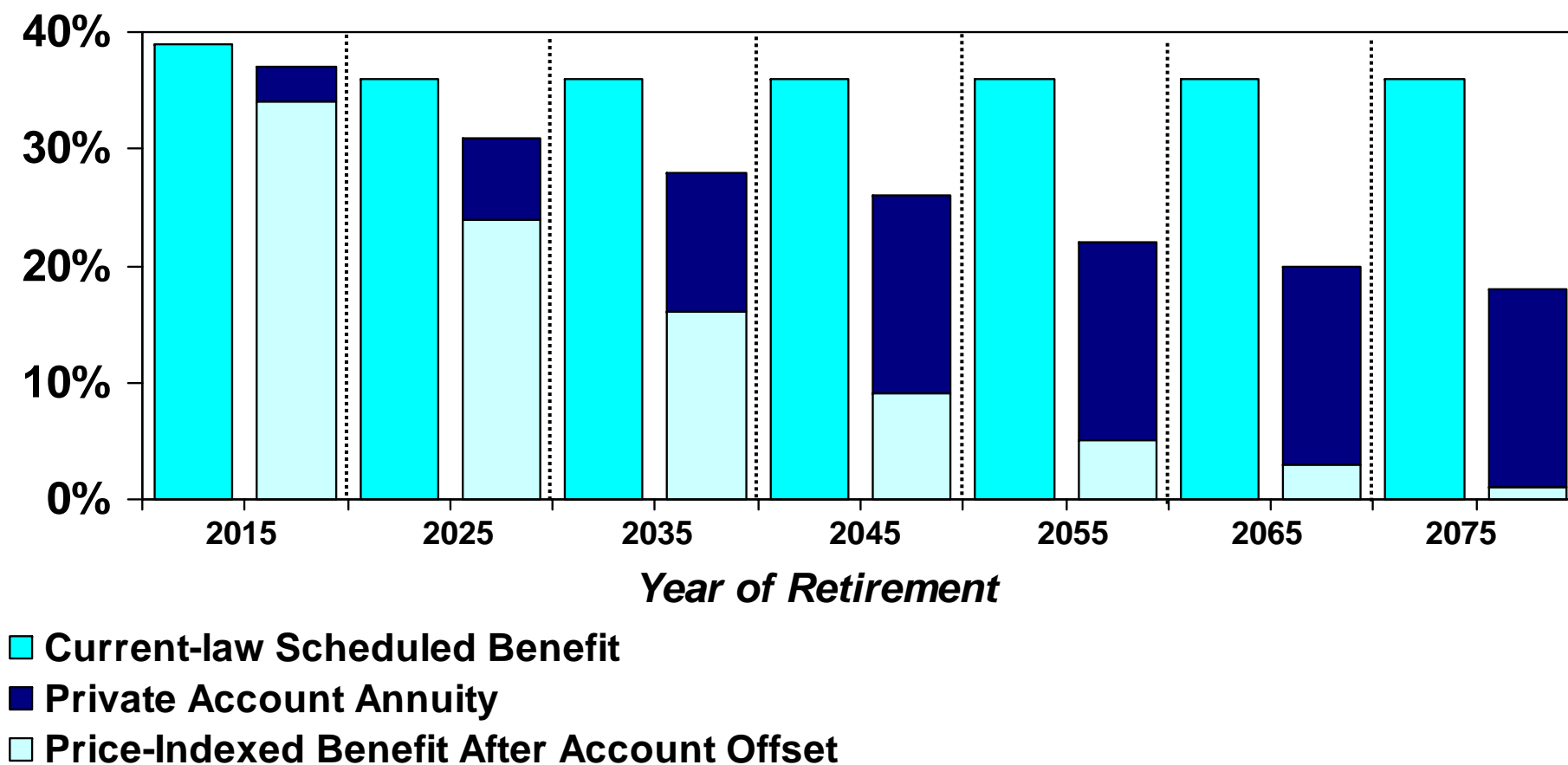


Notes: * Assumes price indexing begins in 2009.

Source: Social Security Administration, Office of the Chief Actuary, "Estimates of Financial Effects for Three Models Developed by the President's Commission to Strengthen Social Security," January 31, 2002.

President's Plan Implies Steep Benefit Cuts To Assure Social Security Solvency

Estimated first-year benefits and account annuities for medium worker retiring at age 65, expressed as percentage of average pre-retirement earnings



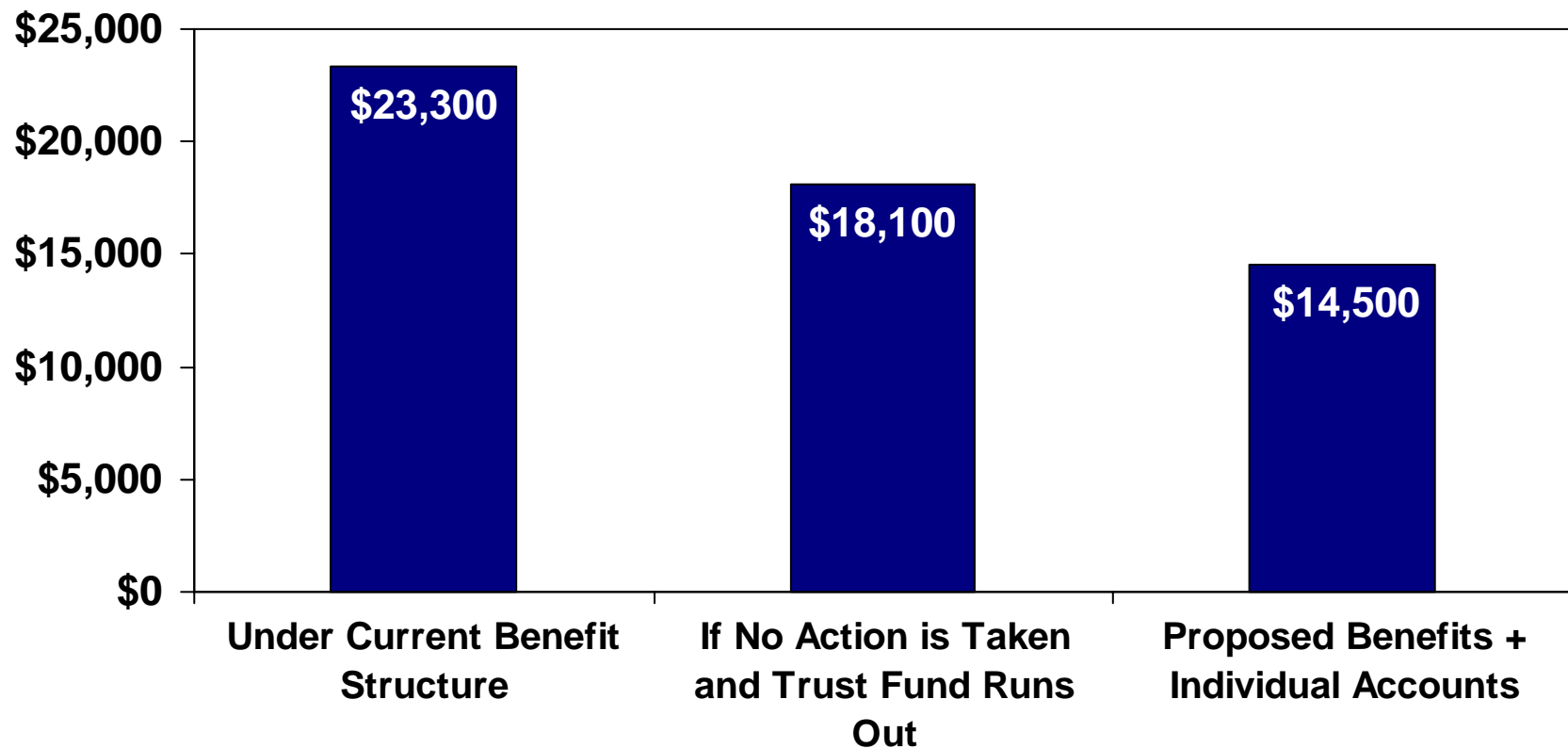
Combined Benefit Cuts With the New Account Proposal

Worker Born in 1990 (SSA Assumptions)	
Scheduled Benefit	\$21,770
- Price Indexing	-\$8,174
- Loan Repayment	-\$10,491
Traditional Benefit	\$3,104
Individual Account	\$8,000 - \$15,000

Future Retirees Would Be Better Off With *Nothing* Than Under Commission Plan

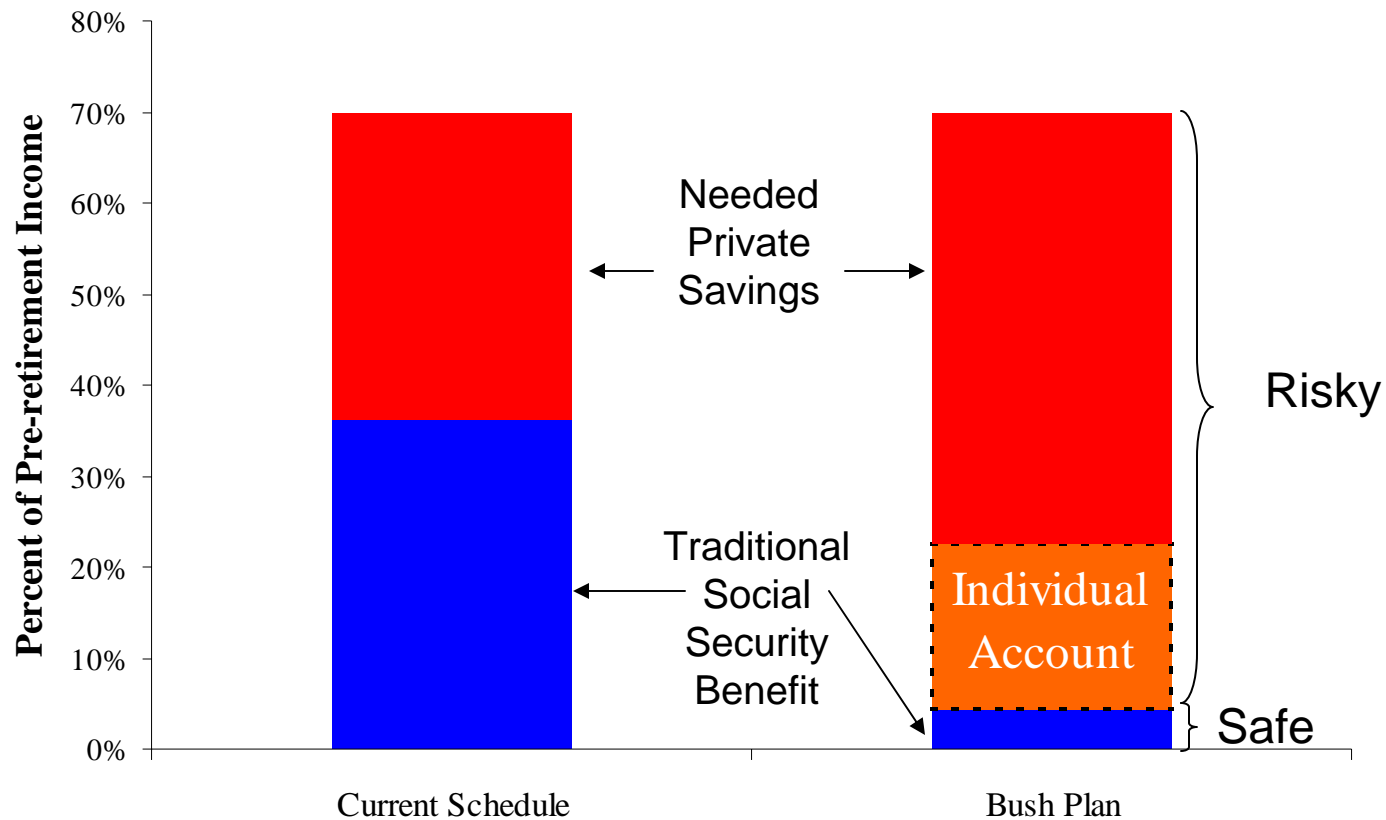
(Average Annual Benefit for Median Wage Earner Born in the 1990s, Retiring at 65)

2004 Dollars



Source: Congressional Budget Office, "Long-Term Analysis of Plan 2 of the President's Commission to Strengthen Social Security," July 21, 2004.

Undermines Retirement Security



National Saving Could Fall

- At best, does not increase saving.
Borrow to invest in stock market.
- Could decrease saving.
People save less in 401(k)s and IRAs.

Generational Factors

Younger Americans

- Future Benefits Cut Over Time
- Trillions in Debt and Debt Service to Pay

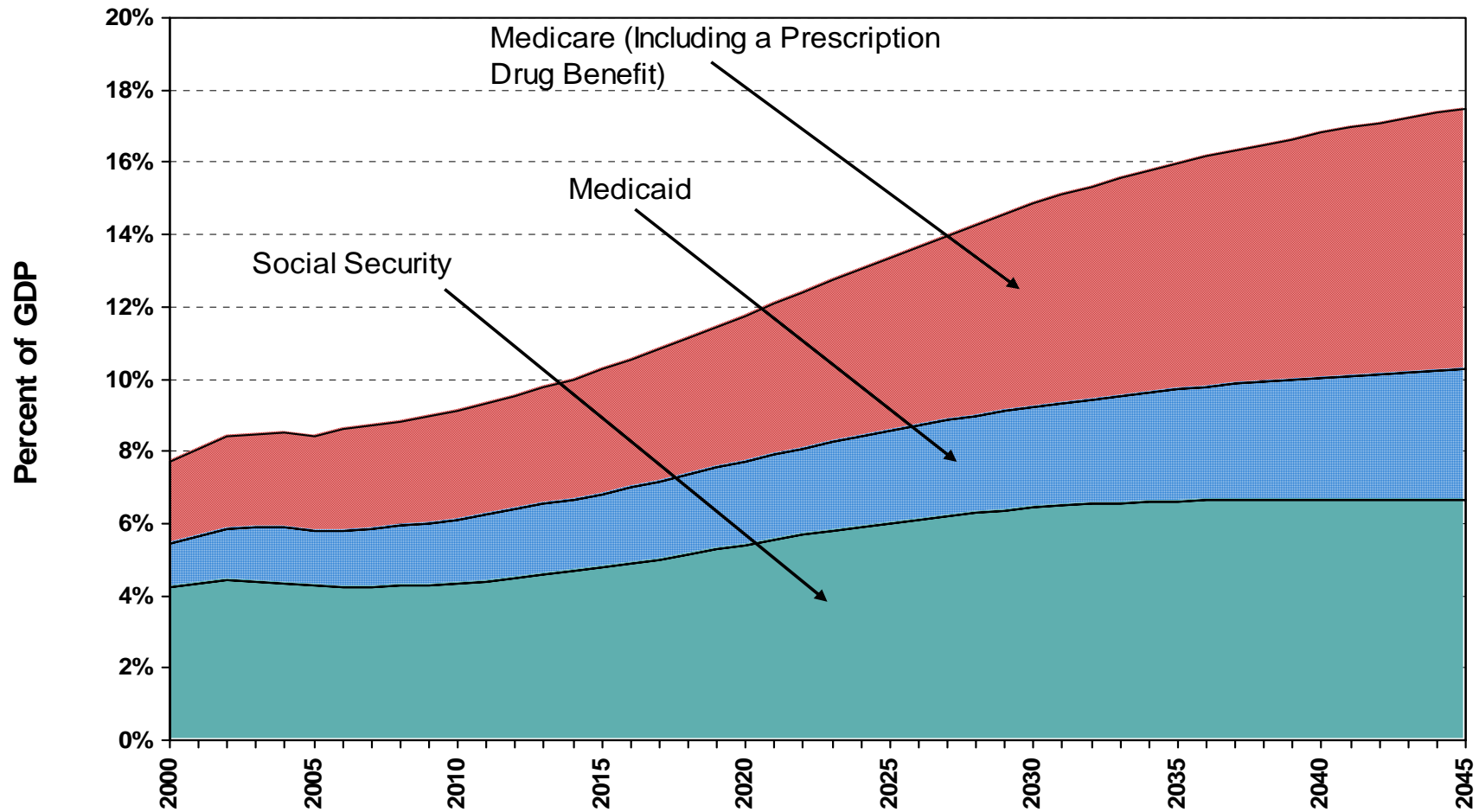
Older Americans

- Added Borrowing, Swollen Deficits, Could Lead to Cuts in Medicare and Medicaid

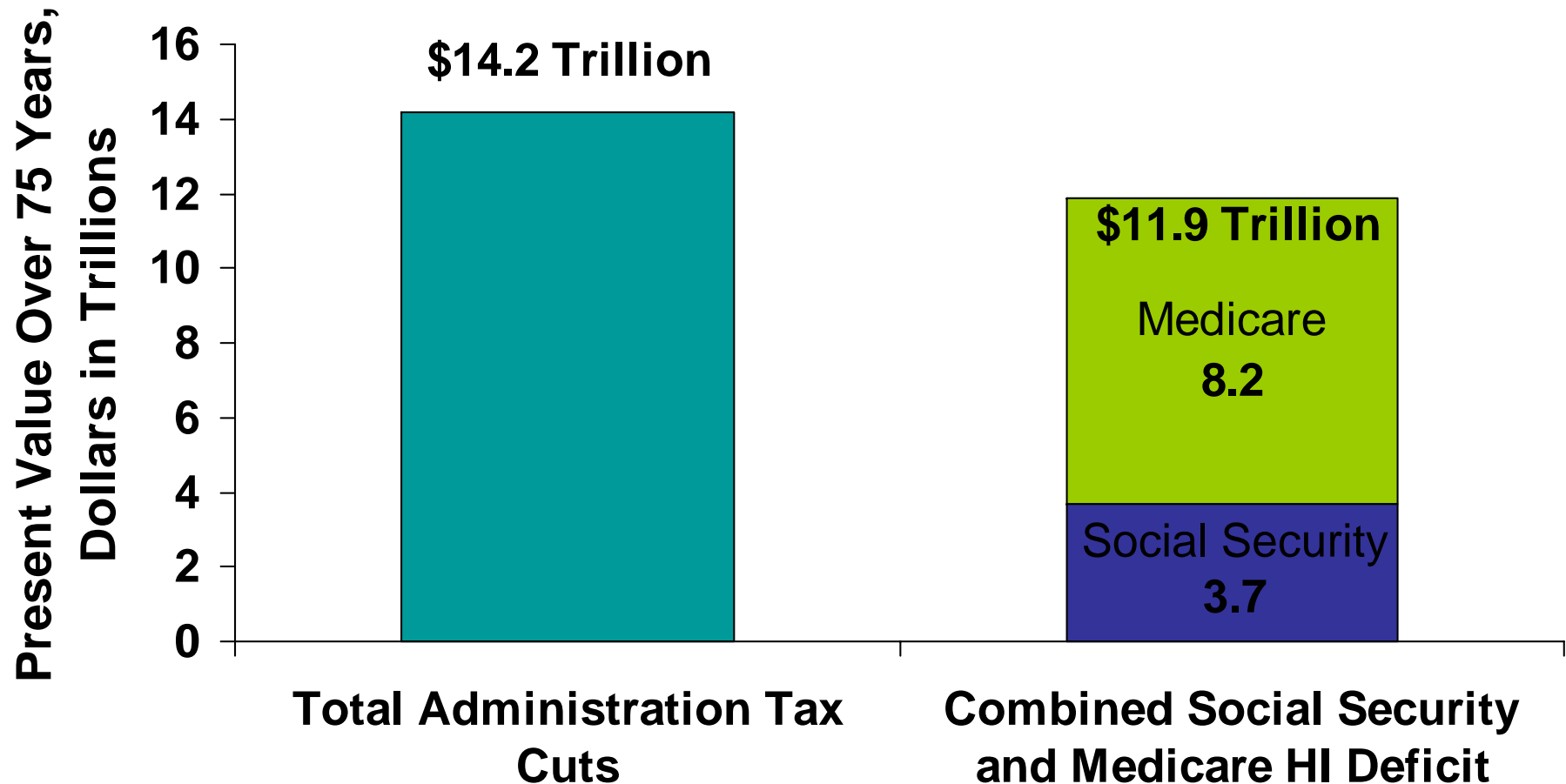
Better Principles

- (1) Do No Harm: No increases in the debt, no decreases in national saving
- (2) Improve Retirement Security: Preserve traditional Social Security benefits *and* allow personal savings *on top*.
- (3) Share the Adjustment Fairly: Everyone should participate in restoring solvency, as in 1983.

**Figure 10:
Medicaid, Medicare, and Social Security are
Expected to Rise Rapidly (2000-2045)**

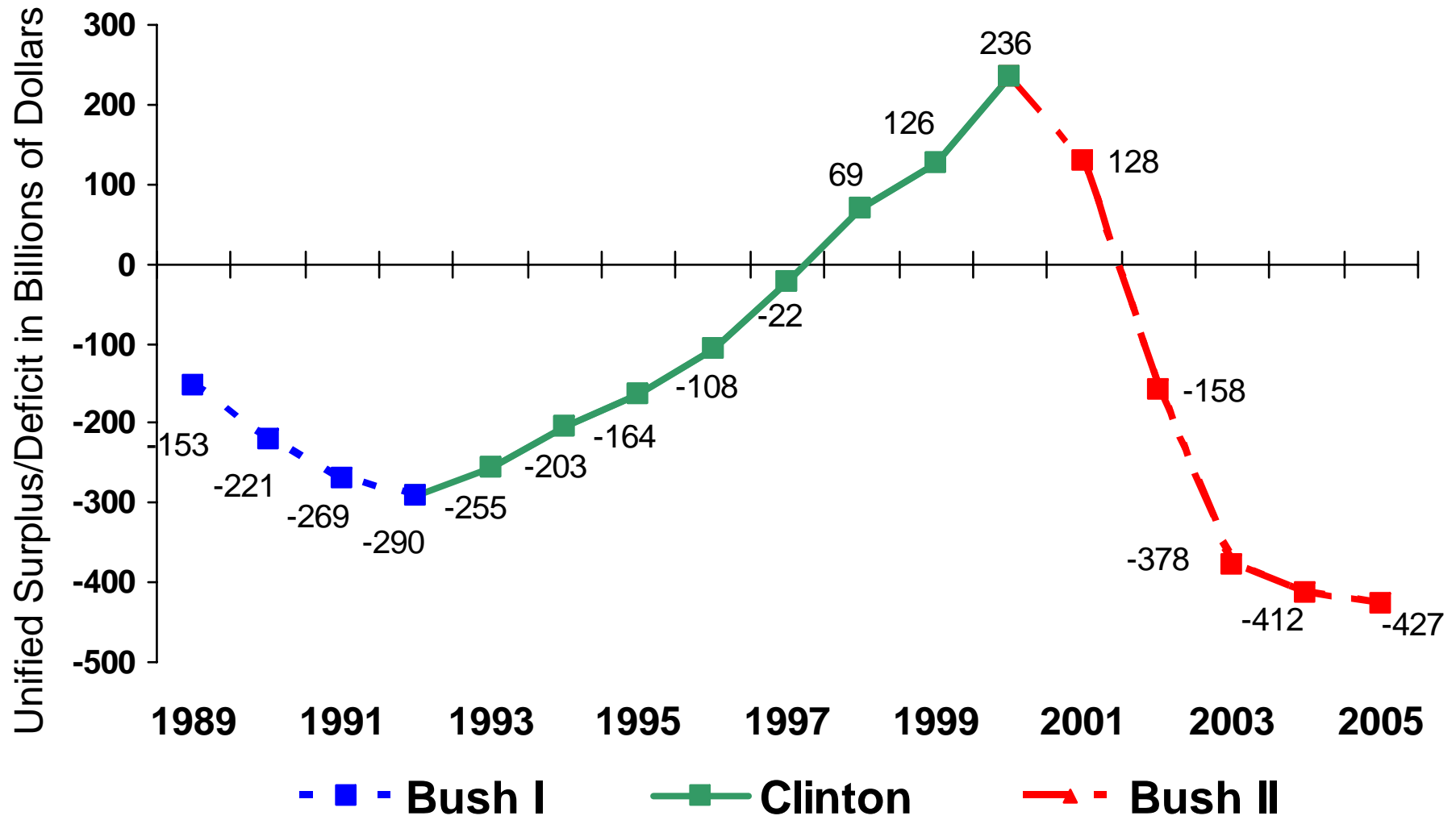


Tax Cuts Larger than Social Security and Medicare Deficit Combined



Backsliding Into the Deficit Ditch

From Deficit to Surplus to Deficit Again

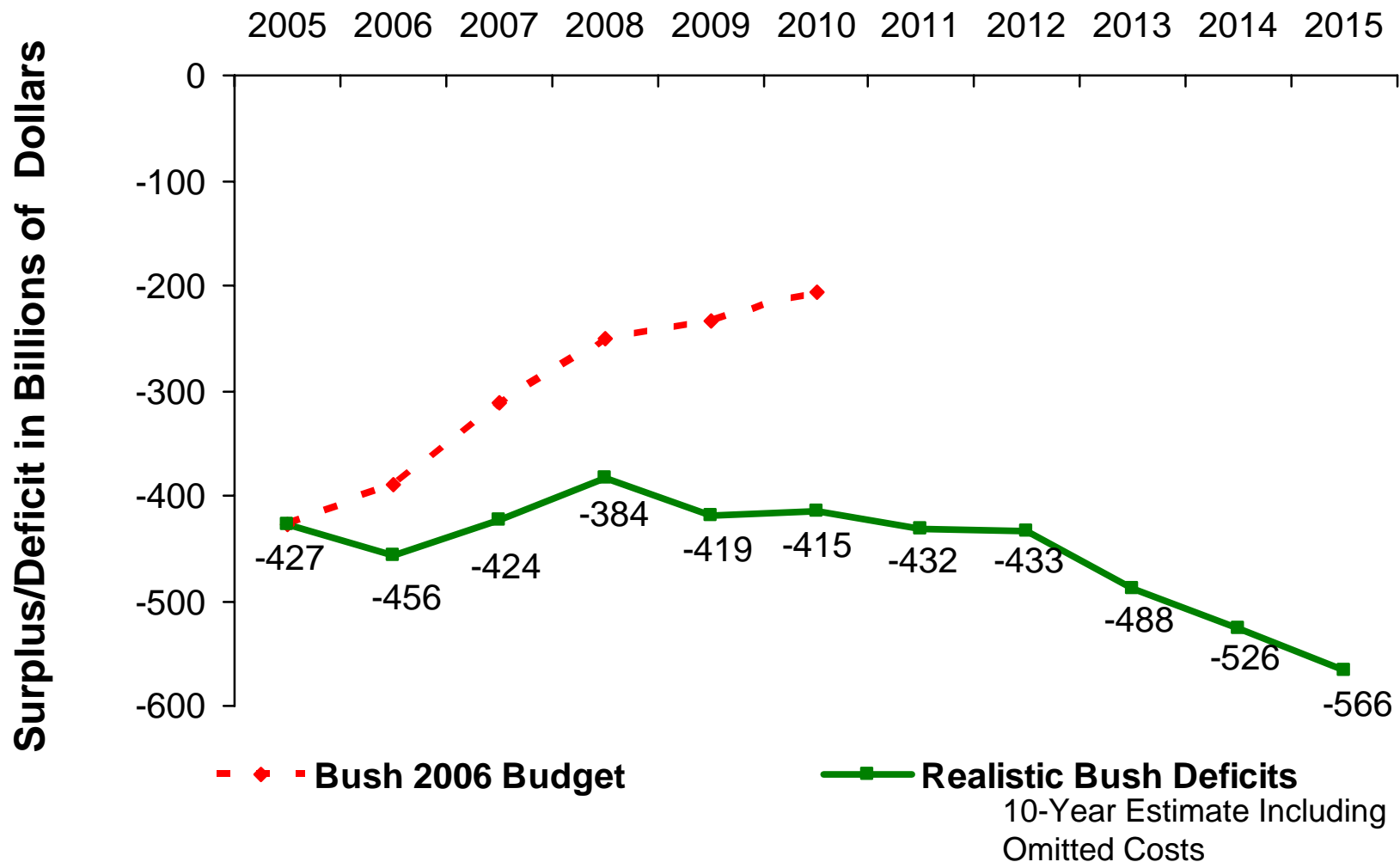


Bush Budget Omits Ten-Year Costs

*Realistic Deficit Picture Much Worse Than
Administration Admits*

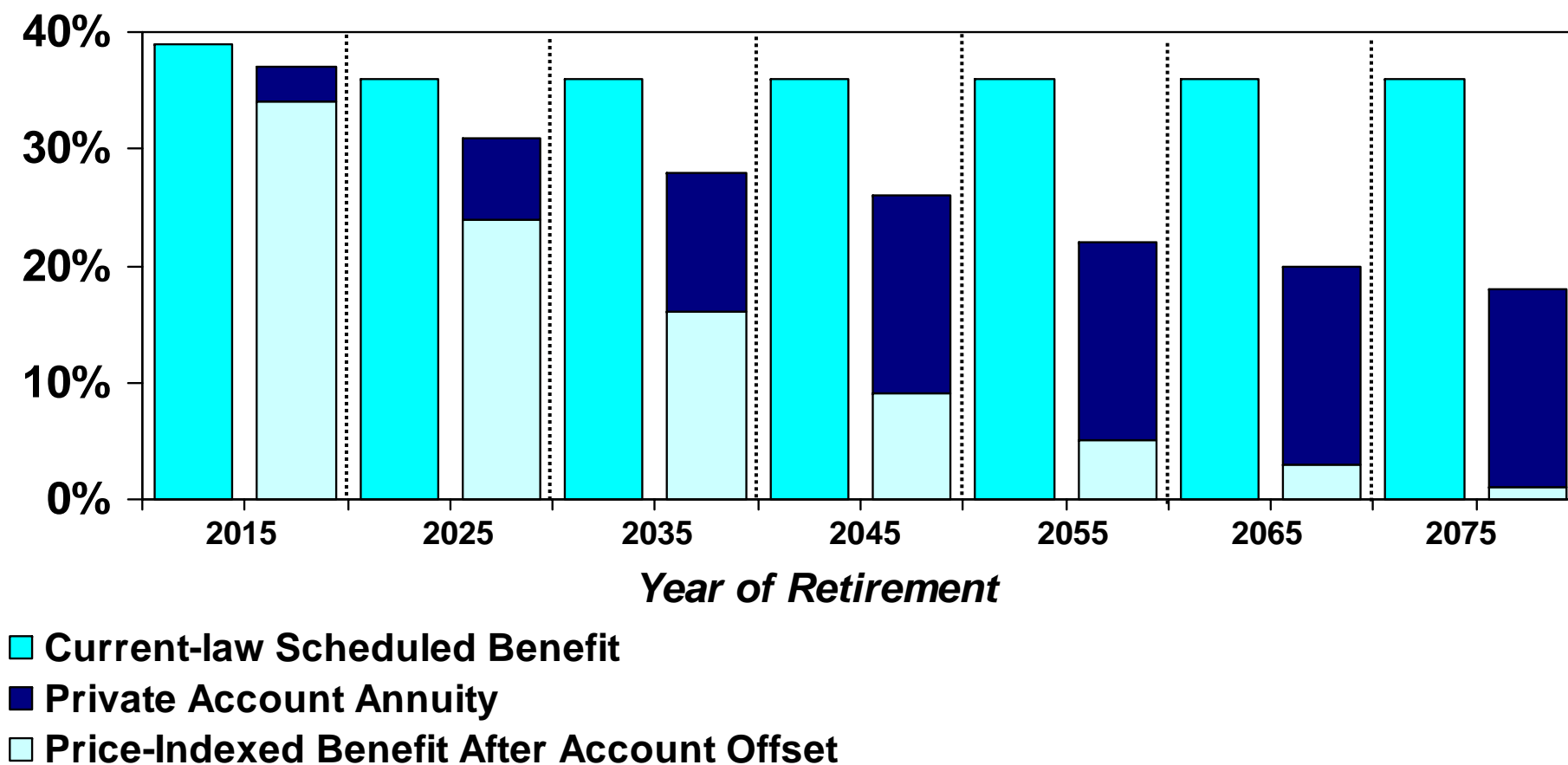
▪Cost of Social Security Privatization	\$754 Billion
▪Cost to Repair AMT	\$642 Billion
▪Realistic War Costs Beyond \$80 Billion for 2005	\$384 Billion
▪Debt Service	\$267 Billion
▪Total Outlays, 2006-2015	\$2.0 Trillion

More Accurate Estimate Shows Even Bleaker Budget Outlook



President's Plan Implies Steep Benefit Cuts To Assure Social Security Solvency

Estimated first-year benefits and account annuities for medium worker retiring at age 65, expressed as percentage of average pre-retirement earnings





Joe's Story

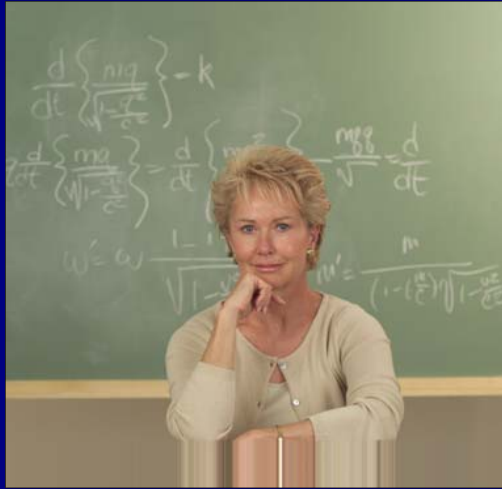
- Joe was 12 when his working class father died of cancer.
- Joe's mother supported herself and two young boys on Social Security survivor benefits.
- Joe was able to attend Clemson and go on to start a multi-million dollar advertising firm because Social Security helped his family survive an emotionally and financially difficult time.
- Joe serves as SC Democratic Party Chair because of his belief in Democratic programs like Social Security.



Susan's Story

*(name and likeness have
been changed to protect
constituent's identity)*

- As a college student, Susan was diagnosed with the chronic illness Lupus.
- She receives Social Security disability benefits that help pay for her medications and her families expenses when she is hospitalized.
- Even with employer-provided health insurance, her upper-middle class family would have been financially devastated by the cost of the disease without the assistance of Social Security disability.



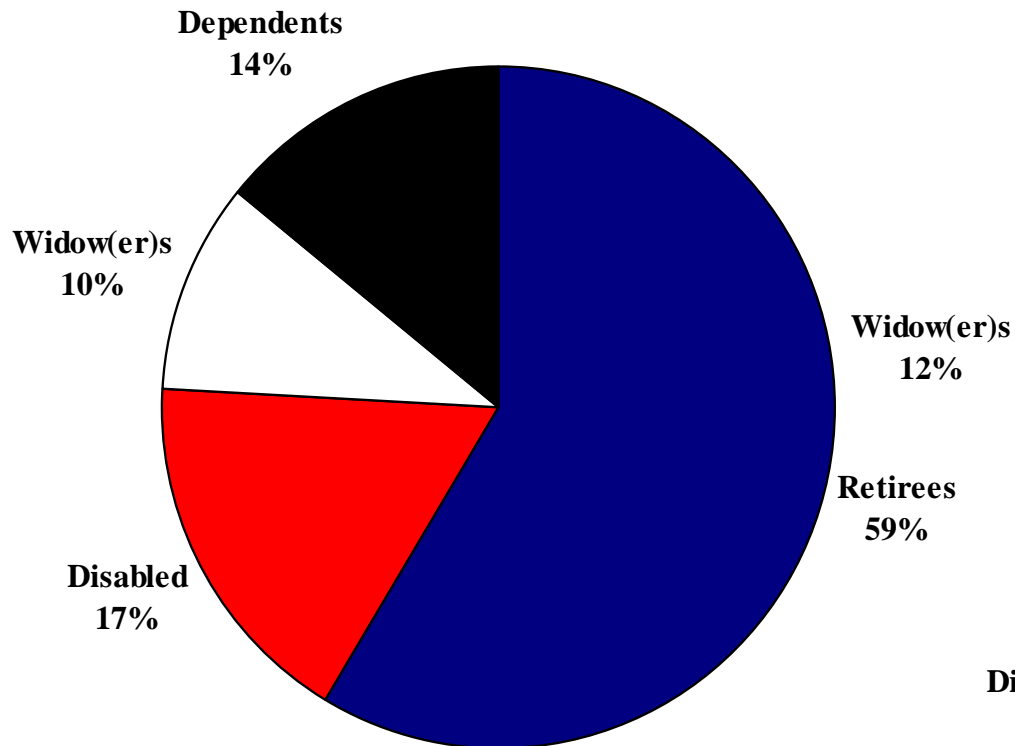
Karen's Story

*(name and likeness have
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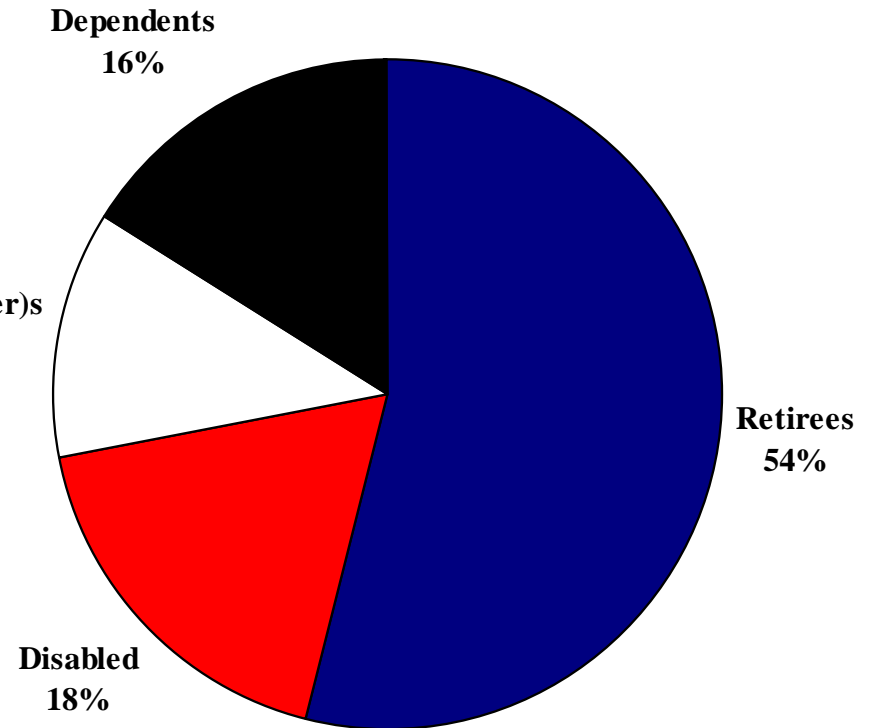
- Karen was a successful teacher and mother.
- An abusive husband beat her severely enough to force her to give up her job.
- She supported herself and two children on Social Security disability temporarily.
- Once Karen was physically recovered from her injuries, she was able to find another job and was no longer dependent on the Social Security benefits that got her through a difficult time.

SOCIAL SECURITY RECIPIENTS BY CONGRESSIONAL DISTRICT

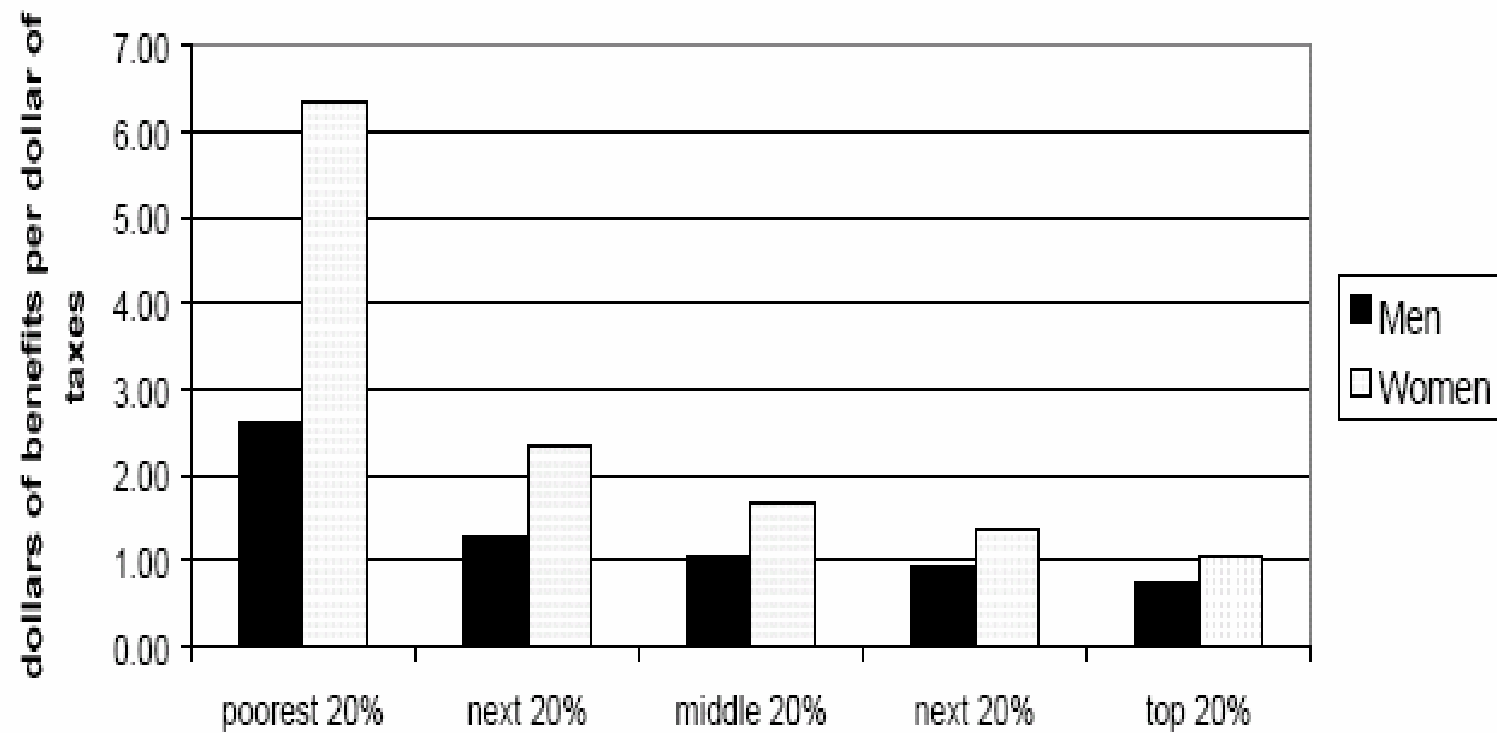
5TH DISTRICT



6TH DISTRICT

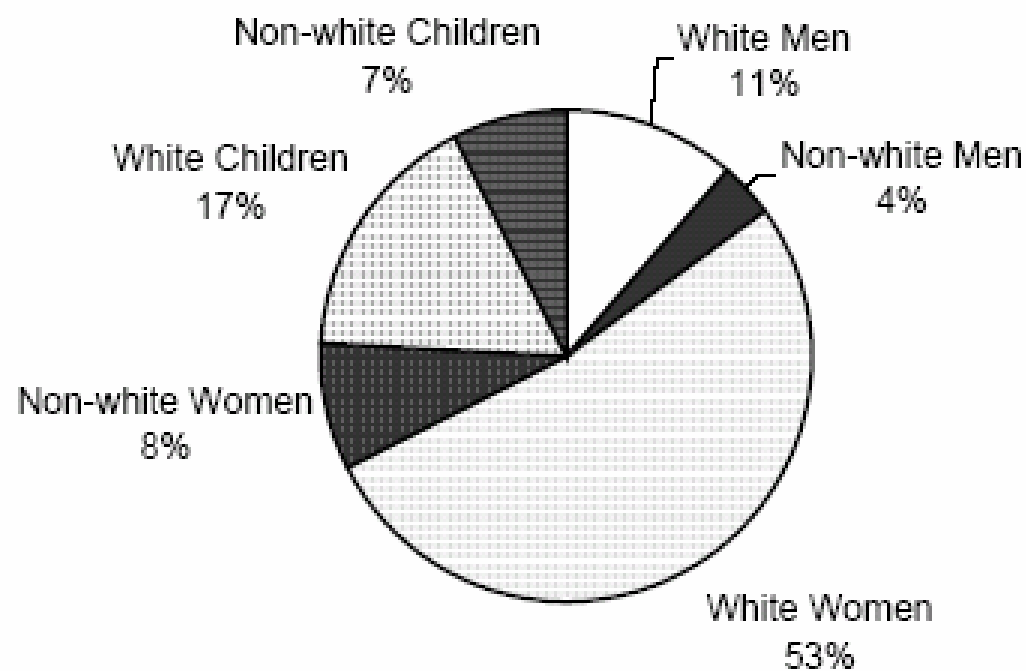


**Figure 1. Benefits Received per Dollar of Payroll Taxes
by Lifetime Income of Recipient**



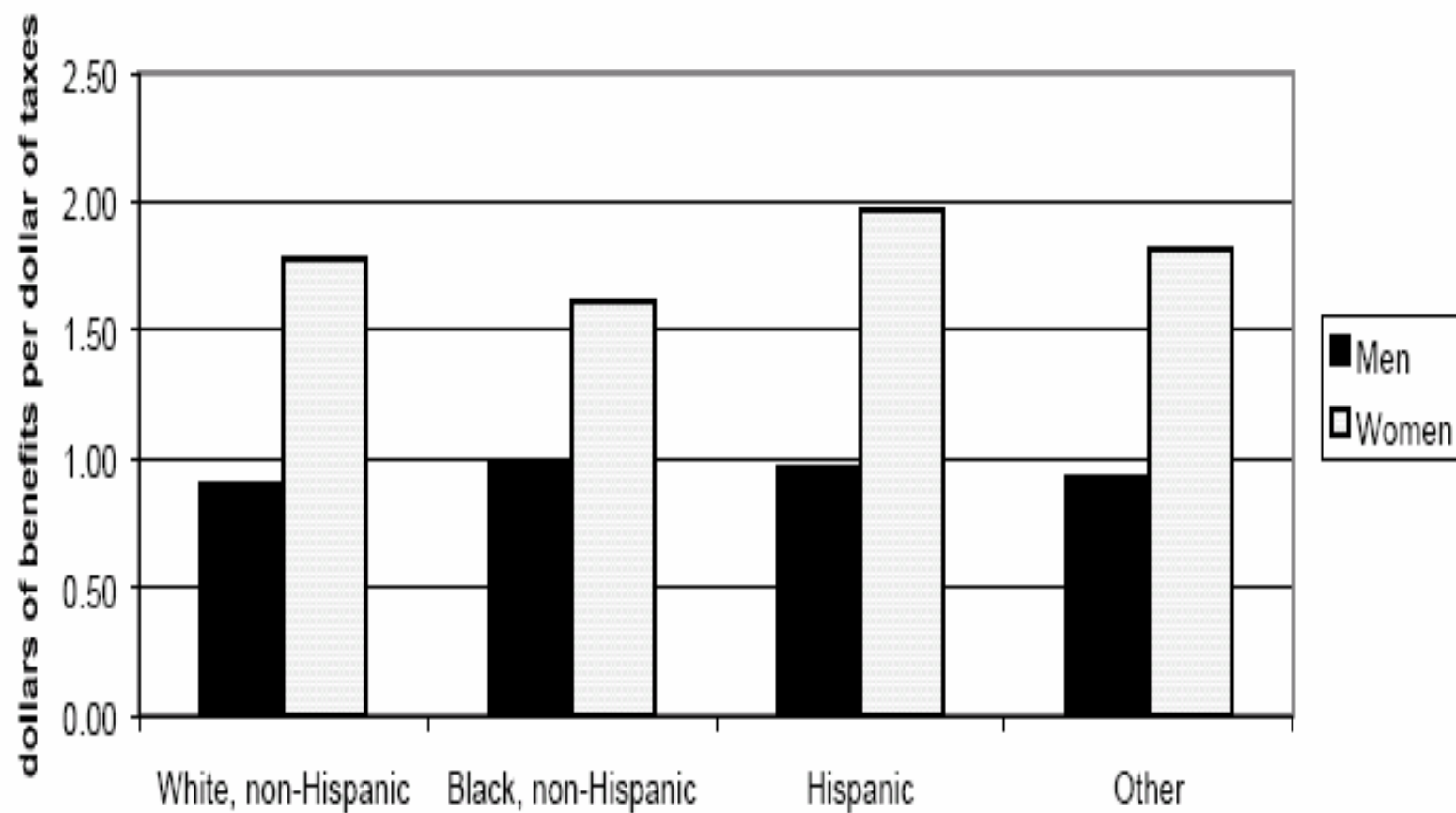
Source: The Social Security Network, March 2002

Figure 2. Racial Composition of 17 Million Disabled Workers, Survivors, and Dependents



Source: The Social Security Network, March 2002

Figure 3. Benefits Recieved per Dollar of Payroll Taxes, by Race



Source: The Social Security Network, March 2002